



STATE OF MICHIGAN

DEPARTMENT OF MANAGEMENT & BUDGET  
LANSING

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GOVERNOR

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September 5, 2007

**MEMORANDUM**

TO: Chief Financial Officers, Administrative Officers, and Chief Accountants

FROM: Mike Gilliland, Director, Financial Services

SUBJECT: Fiscal Year 2008 DMB Service Rates

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The mission of the Department of Management and Budget (DMB) is to provide cost-effective business services to government in a way that allows our customers to achieve key outcomes that demonstrate effectiveness, efficiency, and accountability. The following information highlights the DMB program activities that provide better business solutions for you.

Attachment 1 describes services to customers and highlights activities undertaken during the past fiscal year to maximize performance and minimize costs.

Attachment 2 is a listing of fiscal year 2008 rates for core DMB services. Detailed rates can be found on the Financial Services Website at [www.michigan.gov/dmb](http://www.michigan.gov/dmb). Click the *Financial Services* tab, and then select 2008 Statewide Service *Rates*.

Each DMB program will be actively marketing their services in the coming months. If you have specific service needs or questions, please call the individual program manager, or you may also contact Patricia Lack ([lackp1@michigan.gov](mailto:lackp1@michigan.gov)), Chief Accountant, at (517) 241-2155.

Attachments

c: Rose Wilson, DMB, Deputy Director  
Patricia Lack, DMB, Financial Services  
Ron Foss, DMB, Financial Services

## Attachment 1

### Department of Management and Budget Fiscal Year 2008 Description of Services

**AGENCY SERVICES** offers centralized and essential business support services including the Consolidated Print Center, Mail and Delivery Services, Materials Management/Warehousing Services, Printing Services, State and Federal Surplus Services, and Vehicle and Travel Services for all state departments.

**Consolidated Print Center** is a centralized, high-speed, high-volume print and distribution center for client/server and mainframe computer output. There continues to be an increase in client/server printing capability that has opened the door to new initiatives such as personalized correspondence and internet-based printing.

The Consolidated Print Center continues to partner with agencies to suppress unnecessary print and to store such print electronically, resulting in substantial savings for agencies. The program is also changing equipment configurations and implementing new software to increase print efficiency and reduce labor costs. These cost savings helped to stabilize the rates. The FY 2008 rates will remain unchanged from FY 2007.

**Mail and Delivery Services offers services in two broad areas.**

**Mailing Services** provides mail preparation and mail finishing services to all state agencies and to a number of local units of government, universities, community colleges, and public school systems. This includes services such as presorting mail, accountable mail, pressure sealing of specially designed self-mailers, machine inserting, metering, preparing manual mail, and preparing packages for United Parcel Services. In addition, the program offers mail list management services that standardizes addresses, and manages customer address databases. Mailing Services also provides consulting services that often result in additional postal savings and the elimination of unnecessary mailings. The FY 2008 rates will remained unchanged from FY 2007.

The program continued implementation of new software that incorporates bar-code technology to streamline the processing and billing of metered mailed, eliminating the need for manual keying of mail cards and resulting in labor savings for this process. New initiatives include installation of mail sorters and inserters. These improvements will help to minimize salary expense increases, while increasing postal discounts, and demonstrates some of the efforts the program is making to bring value to government. The program continues its efforts to market services to all state agencies and local units of government, schools, and universities. These actions help sustain and build program revenues, which helps maintain low rates for state agencies. Replacing aging equipment and continuing to automate manual processes where feasible will result in savings to agencies.

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**Delivery Services** provides scheduled, on-demand, and comprehensive transport services such as: door-to-door, dock-to-dock, inside pickup and delivery, office furniture moves, records delivery, and freight services. The focus is on customized and timely service. Rates are competitive and very often less than those charged by the private sector.

Delivery Services is controlling costs and improving productivity by implementing process improvements. Cost savings are expected from reduced personnel costs, work-related injuries, and fuel consumption. Delivery Services continues to focus on in-sourcing Office Moving Services, where feasible. By aggressively marketing the service, Delivery Services hopes to increase the volume of business both within the Lansing area as well as other outstate areas of the state. The Delivery Services rates for FY 2008 will not increase from the FY 2007 rates.

**Materials Management Services** offers competitive pricing and high-quality warehousing services to customers through economies of scale, efficient use of space, and the proactive management of physical assets. Customers have a choice of inventory controlled warehousing or general storage.

In partnership with our customers, we continue to reduce the amount of obsolete or inactive forms and publications that are warehoused. Warehouse Services is working to continue the consolidation of leased warehouse space into state owned space. The program will implement new Inventory Management software to assist in managing space. In FY2008, per square footage rates for inventoried product and the associated per transaction fee will decrease. Rates at the Sunset Facility will decrease and rates at Hazel St. will remain flat. All other FY 2008 rates will remain unchanged from the FY 2007 rates.

**Printing Services** offers consulting services and a full range of printing and copying services. Comprehensive consulting services ensure that printing needs are met using the best service option possible. In-house services include graphic design, digital copying, offset printing, and finishing. Satellite copy centers continue to be evaluated for consolidation. DMB copy centers are networked, to provide efficient workflow and provide print at the closest point of need. A digital copy Web submission tool has increased efficiencies and response time. The program continues to review statewide print policies, equipment leases, vendor contracts and service offerings to maximize efficiency. In FY2008 a new print managements system will be implemented. The new system will improve job estimating, streamline billing and provide improved job tracking. Rates for FY 2008 will be the same as the FY 2007 rates.

**State Surplus** provides services for the disposal and management of state surplus personal property. The State Surplus program continues to promote reutilization of surplus property by state agencies. State Surplus also promotes surplus property sales to local units of government, school districts, and colleges and universities throughout the

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state. In FY05 State Surplus opened a storefront for the general public, which provides greater public access to purchase surplus property that did not sell at public auction. State Surplus is increasing Internet auctions sales, which decreases handling costs. The State Surplus program will review the current surplus property reutilization and resale process, and implement strategies to improve service delivery. The expected outcomes of process reengineering are to reduce handling costs for reutilized property and decrease cost of selling product. State Surplus rates for FY 2008 will not change from the FY 2007 rates.

**Federal Surplus** continues to offer direct access to federal surplus property without the added cost of warehousing. All eligible donee organizations have access to federal surplus property by screening electronically on the federal government's web sites. The state's program assists in securing and shipping the property directly to the requesting organization. FY 2008 rates will not change from FY 2007.

**Vehicle and Travel Services** is the fleet management and travel services provider. The program is committed to reducing costs while providing safe and dependable transportation and travel services to government.

Fleet management initiatives have resulted not only in fleet reductions, but also in longer retention of well-performing vehicles. These efforts enable Vehicle Services to maintain the proper mix of vehicles needed for an efficient, cost-effective fleet. Other examples of cost-saving efforts include the establishment of standardized vehicles for similar job functions, eliminating unnecessary and costly vehicle options, and ensuring full utilization of vehicles.

Vehicle rates are made up of two components, a fixed fee and a per-mile rate. Fixed fees are computed for a group of vehicles, such as all the midsize and large passenger vehicles. Fixed fees are also computed for individual vehicles, such as trucks and specialty vehicles. Fixed fee calculations include projected lease cost, new vehicle orders and projected resale proceeds. The flat fee also includes the cost of self-insurance for no-fault liability claims.

The FY 2008 fixed fee for midsize and large vehicles will increase slightly from FY 2007. The increase is primarily attributed to vehicle replacements that were delayed in FY2007 as a result of Executive Directives limiting spending. However, agencies did see cost reductions in FY2007 as a result of the spending limitations.

The per-mile rate reflects variable operating costs of fuel, maintenance and administrative charges. Vehicle Services continues to seek ways to reduce these costs. The per-mile rate for midsize and large vehicles increased for FY 2008 from the previous year. Maintenance and administrative costs have remained stable, but fuel costs continue to increase and remain volatile. The per-mile rate may be adjusted in FY 2008 if actual fuel costs vary significantly from the current estimates. In FY2007 per-

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mile rates were reduced mid year which resulted in reduced fleet costs for all agencies.

Vehicle Services continues to partner with state government agencies to improve inter-agency communication and fleet planning. These and other cost-saving successes demonstrate some of the efforts the program has made to bring value to government.

The Travel Services' reservation fee remains unchanged. Travel Services continues to enhance services by leveraging the latest technologies in the area of Web conferencing, video conferencing, and teleconferencing.

**FACILITIES ADMINISTRATION** offers services in four major areas of functional responsibility.

**Planning, Parking & Security** provides lifecycle asset management for DMB-managed buildings, including infrastructure and preventive maintenance planning, the development of a strategic five-year capital improvement plan, and capital outlay funding. It also provides parking, security, and access control services in all DMB-managed/owned facilities.

**Design and Construction** provides state agencies, universities, and community colleges with architectural and engineering services, surveying, construction management, and quality control services for infrastructure improvements and new construction projects. Design and Construction also procures contracted services for all state agencies' construction and renovation projects.

**Building Operations** maintains repairs, operates, and extends the infrastructure life of over 5 million square feet of facilities owned or managed by DMB. It is also responsible for rapid modular construction and grounds maintenance for more than 1,000 acres, as well as the operation and maintenance of steam and chilled water production plants.

**Real Estate** manages state-owned lands and the disposition of surplus property, conducts state-wide strategic space planning, and is responsible for all leasing activity on behalf of the state. The continued cooperative effort between the Real Estate Division and state agencies to consolidate space has resulted in significant savings attributable to the early cancellation or renegotiation of leases, as well as revenue generation through the disposition of surplus property. The program delivers cost-effective property and space management that best meets the needs of government.

Facilities Administration continues to build and design facilities that satisfy customer requirements, meet timelines, optimize life cycle costs, and maximize the state's infrastructure investment.

The state's renovation and construction projects have an impact on jobs creation and ultimately Michigan's economy and quality of life. The Governor's Jobs Today Initiative

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first brought this impact to the forefront in 2006. The Office of Facilities is leading the effort to accelerate the creation of new jobs in the building trades, construction, and related service industries by expedited planning and management of state infrastructure improvement projects.

Facilities Administration staff of skilled maintenance personnel, facility managers, professional engineers, architects, surveyors, planners, contract administration personnel, and real estate professionals enable the office to provide a range of related services and take a leadership role on a number of key state initiatives.

Facilities Administration partnered with all state agencies to implement energy savings measures to meet the energy directive reduction target of 10% by the end of 2008. Energy-saving strategies that have already been implemented have resulted in several millions of dollars of savings to state agencies.

Facilities Administration also provides emergency response and Homeland Security support and coordination.

The FY 2008 Management Services fees for Miscellaneous Operating Projects (MOPs) and Lump Sum Projects remained at 5% of the total project cost. The State Agency Line Items also remained unchanged from FY 2007 at 1.5% of the total project cost. The FY 2008 Lansing Complex Building Occupancy rate increased .01 cent per square foot from the FY 2007 rate to \$14.81 per square foot.

**STATE BUILDING AUTHORITY** is responsible for financing the state's major capital outlay projects, including colleges and universities. In addition, the Risk Management unit of the State Building Authority is responsible for providing commercial insurances to state agencies.

**Risk Management** provides the property and general liability insurance requirements of state agencies, as required by law or special need. Insurance coverage includes, but is not limited to, aircraft and airport liability, employee bond, and crime insurance. The office is also responsible for the administration of the state's motor vehicle fleet self-insurance program. For FY 2008, the administrative fee charged above the actual premium cost, is set at 10%. Accumulated fund balances were returned in FY 2007 through reductions in billings. The FY 2008 projected vehicle insurance claims are forecast to be less than FY 2007; therefore, the FY 2008 vehicle insurance rates are below the FY 2007 rates that were in effect prior to the FY 2007 billing reductions.

During the coming fiscal year, Risk Management staff will continue to explore the most cost-effective means to provide insurance coverage.

**Department of Management and Budget**  
**Fiscal Year 2008 Service Rates**

	FY2007 Rate	FY2008 Rate	Unit of Issue
<b>Acquisition Services</b>			
Office Supply Contract	6%	6%	of purchase cost
<b>Agency Services</b>			
<i>Consolidated Print Center</i>			
Consolidated Print	\$0.0500	\$0.0500	per image
Warrant Image	\$0.0600	\$0.0600	per image
<i>Delivery Services</i>			
Dedicated Freight Runs, Regional Mail Route Service, and Freight Work Orders	quotes provided in advance	quotes provided in advance	
<i>On Demand Freight Service</i>			
Labor	\$67.49	\$67.49	per hour
Vehicle – per hour	\$15.24	\$15.24	per hour
Vehicle – per mile	\$ 0.69	\$ 0.69	per mile
Minimum Charge: 1 hour (consists of Labor + Vehicle + 20 miles)	\$96.53	\$96.53	
<i>Mailing Services</i>			
Presort – Tier 2	\$0.0200	\$0.0200	per piece
Metered Packages	\$ 1.40	\$ 1.40	per piece
Metered Mail	\$ 0.0424	\$0.0424	per piece
<i>Materials Management</i>			
Warehouse Space – Hazel Street	\$ 7.83	\$ 7.83	per square foot per year
Warehouse Space – Sunset Street	\$ 5.32	\$ 4.34	per square foot per year
Inventoried Materials Management and Storage	\$21.00	\$20.00	per square foot per year
Secured Storage Management	\$30.00	\$30.00	per square foot per year
Inventoried Materials Handling Fee	\$ 6.00	\$ 5.00	per ship to address
<i>Printing Services</i>			
Digital Copy	\$0.0540	\$0.0540	per copy

**Department of Management and Budget**  
**Fiscal Year 2008 Service Rates**

	FY 2007 Rate	FY 2008 Rate	Unit of Issue
<b>Agency Services (continued)</b>			
<i>State Surplus</i>			
Sealed Bid Processing	12%	12%	of sale price
Treasury Unclaimed Property SLA	12%	12%	of sale price
HAL and Museum Artifacts SLA	12%	12%	of sale price
Miscellaneous Auction Restricted Funds	12%	12%	of sale price
Equipment Auction Fee	12%	12%	of sale price
Vehicle Sale Charge	10%	10%	of sale price
<i>Vehicle and Travel Services</i>			
Midsize Vehicles			
Fixed fee for lease and insurance costs	\$113.00	\$132.00	per month
Per-mile rate for fuel, maint. and operating costs	\$0.1854	\$0.2140	per mile
Large Vehicles			
Fixed fee for lease and insurance costs	\$159.00	\$193.00	per month
Per-mile rate for fuel, maint. and operating costs	\$0.1924	\$0.2122	per mile
Travel Services Reservation Fee	\$32.00	\$32.00	per reservation
Management Services for Miscellaneous Operating Projects (MOPS) and Lump Sum Projects	5% of total project cost	5% of total project cost	
Management Services for State Agency Line Item	1.5% of total project cost	1.5% of total project cost	
<i>Building Occupancy</i>			
Lansing Complex Charge	\$14.80	\$14.81	per square foot
<b>Strategic Asset Management</b>			
<i>Risk Management</i>			
Type A Vehicle Insurance	\$372.00	\$318.00	per vehicle per year
Type C Vehicle Insurance	\$78.00	\$18.00	per vehicle per year
Type M Motorcycle Insurance	\$186.00	\$159.00	per vehicle per year
Other Insurance	Actual + 3.00%	Actual + 10.00%	Administrative fee